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MPPSC Mains Paper-2 Part-A



Awarded for
Result Oriented Academy

For UPSC/MPPSC-2019
by Kamal Nath (CM, M.P.)

Awarded for
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Academy of MP-2018
by Shivraj Singh Chouhan (CM, M.P.)



MPPSC Mains

PAPER 2 (Part A)

General Studies

Author -
Surendra Sharma
(Director Sharma Academy)

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PAPER-II GENERAL STUDIES

Constitution, Governance, Political and Administrative Structure

UNIT-I

(Page 1 to 64)

- Constitution of India:- Its Foundation (1), characteristics (6), Basic Structure (8) and important amendments (11).
- Conceptual elements:- Objectives (18), fundamental rights (21) and duties (31), directive principle of state policy(33).
- Federalism, Central:- State Relations (39), Supreme Court (43), High Court (50), Judicial Review (54), Judicial Activism (56), Lok Adalat (60) and Public Interest Litigation (62).

UNIT-II

(Page 65 to 108)

- Election Commission of India (65), Comptroller and Auditor General of India (73), Union Public Service Commission (77), Madhya Pradesh Public Service Commission (80) and NITI Aayog (81).
- Role of caste, religion, class, ethnicity, language and gender in Indian politics, Political parties and voting behavior in Indian politics, civil society and Public movement, National integrity and security issues (83 to 108).

UNIT-III

(Page 108 to 156)

- Public participation and local government (with reference of 73rd and 74th amendment to the Constitution) (108 to 123)
- **Accountability and Rights:-** Competition Commission (123), Consumer Forum (124), Information Commission (127), Women's Commission (129), Human Rights Commission (131), SC / ST / OBC Commission (133), Central Vigilance Commission (135).
- Features of democracy (137) :- Political Representations (87), Participation of Citizens in the Decision making Process (138).
- Community-based organizations (CBO) (141), Non Government Organizations (NGOs) (144) and Self-help groups (SHG) (149).
- Role of Media and Problems (Electronic, Print and Social) (153)

UNIT-IV

(Page 157 to 183)

- **Indian Political Thinkers** Kautilya (157), Mahatma Gandhi (160), Jawaharlal Nehru (165), Sardar Vallabh Bhai Patel (170), Ram Manohar Lohia (172), Dr.B.R.Ambedkar (175), Deendayal Upadhyaya (179), Jayaprakash Narayan (180).

UNIT-V

(Page 183 to 228)

- Administration and Management:- Meaning (183), nature and significance (185), Role of public administration in the developed and developing societies (191), Development of Public administration as a subject (194), Modern Public Administration (198), Principles of Public Administration (201).
- **Concepts:-** Power (204), Authority (205), Responsibility and Delegation (206).
- Theories of organization (210), steps and area of control and unity of command (215).
- New dimensions of public management (217), management of change (221) and development administration (224).

JAYAPRAKASH NARAYAN:

Marxism, Democratic Socialism and Gandhism

Power which is a fundamental ingredient of politics and a ubiquitous social phenomenon evokes different responses from different political actors depending on their personal dispositions and cultural and historical milieus. Among these responses, the one that appears most desirable is represented by the attitude that Gandhi brought to bear on power and, for that matter, politics generally. Jayaprakash Narayan (1902-1979), a posthumous follower of the Mahatma, stands out as the most creative innovator of Gandhian politics, just as Jawaharlal Nehru seems to be the safest bridge between Gandhi and modern science and technology, and Acharya Vinoba Bhave, the most authentic link between Gandhism and normative traditional Hindu humanism. JP, as he was popularly called, was described in a biographical sketch in 1963 as, 'India's foremost dissenter, critic, intellectual nonconformist and fighter of lost causes that never lose their following'.

That characterization remained valid until his death. His passionate quest for an ideological identity took him on a voyage from Marxism through democratic socialism to Gandhian socialism and in the process he creatively developed the socialist and Gandhian traditions of thought, grappling with some of the deepest problems of Indian democracy and contemporary civilization.

He was probably the most sophisticated advocate of a nonpartisan democracy and a Gandhian constitution for independent India.

'No other Indian public figure', wrote Girilal Jain on the morrow of JP's death, 'has sought to embody so many intellectual currents and cross-currents in himself as JP, not even the incomparably supplemented Jawaharlal Nehru. JP was the mirror to 20th century India'.

Marxism and Democratic Socialism

Essentially, JP's entire philosophy and political praxis can be divided into two broad streams, namely, Democratic socialism and *Sarvodaya*. From the Leninist perspective his earliest stint in politics (1930s) is categorized as the Marxian phase but when it is put to rigorous scrutiny with the benefit of hindsight of history we do not find any fundamental difference between his Marxism and Democratic socialism. However, irrespective of change in nomenclature or in his philosophy that occurred in the 40 years of his political praxis there is a consistency in his outlook on one aspect, i.e., in his approach towards peasantry and in his thoughts about village life. His Marxism or Democratic socialism, besides, was not ahead of radical liberalism, but as history shows that the radical reforms he had proposed in 1936 or in 1940 for achieving socialism were already abandoned by Marx and Engels in the 19th century on the ground that they were no longer relevant since the development of capitalism had already incorporated them or made them redundant. Numerous prefaces to new editions of the 'Communist Manifesto' abundantly indicate towards this trend. Apart from it, 'The Critique of the Gotha Programme' and 'The Peasant Question in France and Germany' reveal the irrelevance of the demands of peasantry for the cause of socialism that French and German communists had thought to put forward as part of their programme. In the April *Thesis*, however, Lenin made a capitulation and brought the peasantry and their causes back into the socialist fold which Marx and Engels had criticized throughout their lives. The success of Lenin in Russia made his political programmes universal which was accepted as socialism. Lenin, nonetheless, accepted the fact that Russian economy was state monopoly capitalism, and that in the given Russian circumstances the best course for the success of the revolution was to co-opt the peasantry for it. He knew very well that land reforms and other such measures were the tasks of the bourgeois revolution, and in the absence of such fulfillment it had to be completed by the Communists. But the Communists in India accepted Lenin's politico-economic programmes as the development of Marxism without deep critical analysis. JP's Marxism was, more or less, the same though he never joined the CPI and differed with it on many issues. His realization of weaknesses in Lenin's theory came later. His Marxism was essentially an ideology steeped in the Leninist paradigm that he had learnt at

Madison, Wisconsin, in the U.S.A. in the company of Jewish and European-born students. It was an ideology of a radical youth leader of 1930s-1940s who was searching for methods and objectives of freedom.

Jayaprakash Narayan sympathized with attempts of some Third World leaders, following the post-war rapid collapse of Western-type democratic regimes, to experiment with next concepts of democracy presumably rooted more firmly in indigenous traditions and contemporary realities. 'The setting up of the National Union in the U.A.R. and Basic Democracies in Pakistan', he wrote, 'is some little advance in the promised direction, but these countries are still far from being a democracy of any kind whatever'.

JP seemed to be only less dissatisfied with the Western democracies which sought to combine political liberalism with capitalist economy and the welfare state: 'There is no doubt that the developed and mature democracies of the West are not so top-heavy and devoid of the support of broad-based infrastructures of various kinds'.

But as he sees it, the 'Western democracy is little more than government by consent' electorally obtained at one point in time and then in effect putting of popular participation until the next elections. Besides, European liberalism and socialism also fall short of 'a socialist democracy'.

In Britain, for instance, the 'Welfare State, which is constantly under conservative fire, is a poor substitute for socialism, and that too seems to be in the danger of being converted into the 'opportunity state' of Mr. Macmillan'.

Another twin trend in Western democracies that disturbed him was private corporatization and governmental bureaucratization, both leading to centralization: 'with the growth of science and technology and complex economic system, government is becoming more and more the business of smaller and smaller numbers of people. With the consequent growing concentration of economic and political power in the hands of fewer people-whether they are private citizens or officers of the state-democracy would soon be just a matter of form rather than of substance'.

The alternative offered by JP was Sarvodaya communitarian utopia promising genuinely participative democracy and real socialism. Socially, sarvodaya was to be based not on an exclusive dominant class or group but on an all-inclusive egalitarian commune of citizens. Politically, it sought to establish a truly decentralized democracy that went beyond the democratic elitism of the West and ensured what JP called Panchayati Raj or 'Swaraj from below'.

Economically, sarvodaya envisaged a thoroughly decentralised and voluntaristic economic order, going beyond state socialism and comprising, on the one hand, a network of many local and regional small-scale industries plus some large-scale central industries, and on the other, a large number of communitarian farms collectively owned and managed by entire villages.

JP's greater reliance on *lokniti* (politics of people) and *lokshakti* (power of people) in preference to *rajniti* (power politics) and *rajshakti* (state power) could also be observed in his behavior as a political and social leader. In 1942, he came forward to lead a spontaneous mass upsurge at a time when the entire top leadership of the Indian National Congress was in jail. In 1954, he cut of his life-long association with party politics to join Acharya Vinoba Bhave's Bhoodan (voluntary land donation for the landless) movement. In 1966-67, he stepped forward during the Bihar famine to lead the organization of a massive relief operation on a voluntarist basis largely outside the usual governmental frameworks.

During the Bihar Movement in the early and mid-1970's he gave his blessings and leadership to another mass upsurge on the issue of corruption and authoritarianism largely outside the framework of the established party system. It was during this movement that he put forward his ideas of a Gandhian *sampurna kranti* (total revolution), and brought to the fore issues relating to fundamental reforms in the electoral, administrative, economic, social, political, and educational systems of the country with greater

salience and urgency than ever since independence.

JP joined this movement, nevertheless, to depend indirectly on pre-existing organizational networks in league with newer social and political forces within a framework of largely ad hoc inclusive structures such as Lok Sangharsha Samiti and Chhatra-Yuva Sangharsha Vahini. Apart from no-party students, the intelligentsia and the nondescript masses contagiously drawn into it, the movement tended to draw structural sustenance mainly from a divided Sarvodaya stream and the non-CPI opposition parties ranged against the ruling Congress.

This aspect of the movement, coupled with the fact that it came to be intercepted by the proclamation of internal Emergency, did not allow a long enough political socialization to yield a sizeable corps of young political recruits to make their impact felt on the post-Emergency. The party that got elected to the Vidhan Sabha in 1977 was lost in the maze of factional politics in the Janata Party along the lines of the major constituent parties forming the Janata agglomerate as well as along caste lines. This party that the advocate of nonpartisan politics ironically fathered and fostered led the spectacular electoral landslide in 1977 and managed to govern in New Delhi for three years, but did not even survive the terminally ailing JP except as a rump.

Nevertheless, the ideological legacy to the nation bequeathed by him will certainly be more durable and powerful than any organizational legacy could perhaps have been. JP's creative experiments in Gandhian thought and politics had significance beyond India. As Nirmal Verma writes, 'In his Endeavour to transcend the deceptions and the iron laws of history he made each of us aware of the innermost laws of our own being. This moral dimension elevated 'Total Revolution' far above all the power-crazed revolutions of the 20th century. J.P. in his last days was like a poet-revolutionary who had at long last found a form, a content and a living voice for that restless dream which he had never ceased to stir within him'.

NON – GOVERNMENTAL ORGANISATIONS

According to the World Bank, “a Non – Governmental Organization (NGO) is a private organization that pursues activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development”. In other words NGOs are legally constituted organizations, operate independently from the government and are generally considered to be non–profit oriented groups who purposes of public interest.

The primary objective of NGOs is to provide social justice, development and protect human rights. NGOs are generally funded totally or partly by governments and they maintain their non – governmental status by excluding government representatives from membership in the organization In a democratic society, it is the state that has the ultimate responsibility for ushering development to its citizens. In India, through the progressive interpretation of the Constitution and its laws and policies, the scope of development has been significantly broadened to include not just economic progress for citizens, but also promotion of social justice, gender equity, inclusion, citizen’s awareness, empowerment and improved quality of life. To achieve this holistic vision of development, the state requires the constructive and collaborative engagement of the civil society in its various developmental activities and program. Non – Governmental organizations (NGOs) as the operational arm of the civil society therefore have an important role in the development processes.

India has a long tradition of social, service, social reform and voluntary agencies. NGOs emerged in India soon after Independence when mahatma Gandhi made a plea for dissolving the Indian National Congress (the political party which came into power upon Independence), and transforming it into a Lok Sevak Sangh (Public Service Organization). This plea was, however, rejected nevertheless, it did not halt the formation of Non – Governmental programs on social and economical issues. These agencies organized handicrafts and village industries rural development programs, credit cooperatives, educational institutions, etc.

The second stage of growth of NGOs in India was around 1960 when many individuals noticed that the governmental programs seemed to be inadequate to deal with the deprived sections of India. These groups formed organizations that the governmental programs seemed to be inadequate to deal with the deprived sections of India. These groups formed organizations that worked on behalf of the poor, the landless, the tribals the bonded labourers, and many other social groups that were being discriminated against by the policies of the state and social structure. These grass roots organizations work at the micro – level and work with limited resources and lack of coordination. Since independence in 1947 until around 1980 there was little effort on the part of the Indian government. In 1980 however, with the sixth five year plan (1980 – 1985), the government identified new areas, in which NGOs as new actors could participate in development. These areas include:

- Optimal utilization and development of renewable source of energy, including forestry through the formation of renewable energy association at the block level.
- Family welfare, health and nutrition, education and relevant community programs.
- Health for all programs.
- Water management and soil conservation.
- Social welfare programs for weaker sections.
- Implementation of minimum needs program.
- Disaster preparedness and management (i.e. for floods, cyclogy and tribal development, and Environmental protection and education.

This plan, nevertheless, was to become a part of a series. Under the seventh Five Year Plan (1985-1990) the Indian government visualised a more active role for voluntary organization to aid in making communities as self – reliant as possible. These groups were expected to show how village and indigenous resources could be used and how human resources, rural skills and local knowledge, grossly

underutilized at present could be used for their situation and interaction with local people can be very effective in bringing change. Since they are able to address issues that governments are often not able to comprehend.

In the Eight Five Year Plan, the importance of NGOs is further enhanced, paying particular attention to the role of these agencies as participants in rural appraisal for drawing up development plans at a very low cost and involving the rural communities. The plan document states, "A nation – wide network of NGOs will be created. In order to facilitate the working of this network three schemes relating to the creation, replication, multiplication and consultancy development have been worked out by the Planning Commission".

Role of NGOs in Present Scenario

Today, India has a vigorous NGO sector. Although there has been no complete census of NGOs, it is estimated that about 25,000 to 30,000 are active in India. In fact as of 31st December, 1989, there were 12,313 NGOs registered with the Ministry of Home Affairs, Government of India under the Foreign contribution (Regulation) Act (FCRA) 1976, furthermore, 726 NGOs are unregistered but under the prior permission category.

One problem with NGOs in India, was NGOs anywhere else in the world has been increasing dependency on governmental fund or donations from external (foreign) donors like the World Bank. This dependent relationship has resulted in a lack of flexibility on the part of NGOs to pick their mission and objectives since many are expected to perform certain tasks in return for funding. But, further still, it has also created structures that have become more bureaucratic in nature and, hence, less effective in development. Nevertheless, NGOs are here to stay and will continue to work in India on political, economical or social issues.

National Policy on the Voluntary Sector 2007

The National Policy on the Voluntary Sector aims to provide an enabling environment for the voluntary sector and also make it accountable, so that VOs (voluntary Organisations) can play their constructive role in development activities effectively.

The main objectives of the policy include:

- Creating an enabling environment for Voluntary Organisations (VOs) that not only stimulates their effectiveness, but also protects their identity and safeguards their autonomy.
- Enabling VO's to legitimately mobilise the necessary financial resources from India and abroad.
- Identifying system by which the Government may work together with the voluntary sector.
- Encouraging VO's to adopt transparent and accountable systems of governance and management.

Role of NGOs in Development

- NGOs or voluntary Agencies have played an important role in providing welfare services to the vulnerable sections of the society, the poor, the wretched, the underprivileged and the deprived. The Reformation Movement of the 19th Century created in its trail quit a number of voluntary organizations particularly for the welfare of women, children and also of the downtrodden. Even today, organizations working for the welfare of women and children are in existence.
- The 1st Five Year Plan stated, "A major responsibility for organising activities in different fields of social welfare like the welfare of women and children social education, community development etc. falls naturally on private voluntary agency" Similar dependence on voluntary organizations for promotion of welfare Of the people, these organisations were considered more appropriate instruments for carrying out the task of reaching the people. These organisation were consider more appropriate instruments for carrying out the task of reaching the people because of their characteristics of flexibility, speed, humaneness and innovativeness.

The important roles played by NGOs are stated below:

Participation

The most important role of these agencies is to stimulate active participation of the citizens in matters that concern them and their community. The importance of people's participation as the key to all anti – poverty and social welfare programmes has been accepted as official system is capable of it. These agencies are generally capable of providing linkage between the official programmes and the beneficiaries.

NGOs try to involve the beneficiaries in decision – making, implementation, monitoring and evaluation of the programmes. The NGOs, through their specific activities, come close to the beneficiaries and educate and train them in regard to their problems, the ways to solve these problems and the obstacles in the way of solving these problems. These agencies create the necessary awareness and develop a position outlook among the beneficiaries. In this way, they play the important role of consciousness raising, awakening, educating and development of the human beings.

Organising Beneficiaries

Apart from awakening and mobilising the community, Non – Governmental Organizations (NGO's) play an important role in organising the beneficiaries. There have been repeated calls that the poor and the exploited should organise themselves and fight to ensure their rights. This is a call to break the unjust policies and to promote revolution change in the rural countryside and in the growing urban slums. The poor, are not capable of this on their own. It is these agencies that try to mobilise and organise the poor so that by applying pressure, the quality of this service and the attitude of the government functionaries may be made to improve.

Facilitating Various Services

The NGOs play an important role in socio – economic development by way of providing certain services such as building up of infrastructure in depressed or backward areas, providing tractor – hiring services, providing or facilitating credit, supply of seeds, fertilizers, technical knowledge etc a number of such agencies are playing an important role in training a cadre of grass roots village workers with the induction of professional expertise and scientific knowledge so that the poor (particularly the rural poor) may learn to depend on themselves and not depend on intermediaries. In this regard, a variety of vocational training programmes have been introduced even for the newly skilled and semi – skilled workers.

Supplementing Government Efforts

Traditionally, it is the voluntary agencies in India, which have been doing a lot in the field of social welfare in one or the other way. Even after 40 years of planned development, the government look up to these agencies for help in the implementation of various programmes of social welfare, rural development etc. however, to expect these organizations to replace even partly, the official machinery engaged in development is expecting too much from them. Still, there is no doubt that they play a supportive and complementary role. Though, the NGOs supplement government efforts, they do so without compromising on strategies, policies and methods. They may set an example in the field of flexibility, initiative, low – cost techniques, simple or effective methods and the ability to improvements.

Checking Government Actions

The NGOs have a very important function in highlighting the legislative loopholes in social legislation, and in ensuring that legislation like the Minimum Wages Act, the Abolition of Bonded Labour Act, the Protection of Civil Right Act, Land Ceiling legislation etc. are being properly adhered to. However, only politically uncommitted and freely operation agencies can perform this function as repeated studies indicate. Government agencies are the real organisers, mobilisers and change agents for the poor. They are the eyes and ears of people in certain areas and give reliable feedback and take the voice of the people to the planners and policy – makers. They activate the system and make it moved and respond to the felt needs of the people. They highlighted the legislative loopholes built into the land ceiling

legislation.

Through these, a whole troop of party functionaries got their Ownership/tenancy rights registered and helped the informal tenants in getting their tenancies regularised in village records and by the tehsildars by identifying benami transfers of surplus lands. They publish such violations of ceiling laws in the villages and blocks with the name of the land owners involved and other details of the violators being made public. Thus, the non – governmental agencies have an important function of over – seeing the implementation of the legislations. NGOs are playing a leadership role in a number of areas.

Role of NGOs and Its Relationship with Government

The role of NGO's and its relationship with government is stated in the points below:

- Recognising the important contribution by NGOs, Government has declared NITI Aayog as Nodal Agency for Government Organisation and voluntary organization interface.
- National policy on voluntary Sector 2007 seeks to establish a new working relationship between government and voluntary Sector. It encourages and empowers an independent and effective voluntary Sector. It identifies systems by which Government and voluntary organizations work together on basis of principle of mutual trust, respect and shared responsibility.
- Civil society window was started in 2004 to enable people to engage with PC (Planning Commission) and offer the benefit of their field experiences.
- Input from CS is plan process of 11th FYP through regional consultation.
- Strengthening social sector policy implementation through proper implementation of policies, their monitoring, social audit, capacity building, mobilising the resources and knowledge base etc.
- Enables NGOs to legitimately mobilise necessary financial resources from India and abroad.
- Adopt transparent accountable system of Governance and Management for voluntary organisation.
- Making aware people about the government policies and programmes and their rights through mass awareness compaigns.
- Helping people in rehabilitation after the natural disaster and calamities.
- Poverty alleviation programmes, housing, sanitation, education, health, women empowerment and their rights, child labour, water , rights for tribal people, removing caste based stigma and discrimination, leprosy eradication programme, well for safe drinking (Jeevan Dhara) NGOs play a important role in all these programmes.
- Industrial policies have influenced the relationship between industries and NGOs. CII has been raising the issue of Corporate Social Responsibility (CSR). Industrial policies has led to formation of Khadi and village Industries Commission (KVIC), small industry Association etc.
- Gram Sree Mela (GSM) through NGOs for providing an opportunity to rural producers to sell their products directly to major markets.

Problem and Limitations of NGOs

Lack of Financial Resources

In discharging their functions, NGOs face a number of limitations and problems. One of the topmost problem of the NGOs is the lack of financial resources. They depend upon grants and contributions, but most of them find it difficult to get regular grants from the government and to raise fund from the business community. Also related with this is the problem for misuse of funds. The money meant for welfare activities generally does not reach the beneficiaries fully. This is mainly due to the mismanagement and misappropriation of funds.

Outreach and Concentration

There has been a mushroom growth of NGOs/voluntary organizations, but none of them has a nationwide outreach or network reaching out to every State and UT and certainly not to every district, block or village in the country. This poses a problem for the government in depending upon these

agencies. Another weakness of these agencies is their improper concentration. The number of agencies which are located in the rural areas where the major job has to be done is very limited.

A study of the comprehensive list of voluntary agencies maintained by the Union Ministry of Social Welfare and the Central Social Welfare Board shows that most of them are headquartered in urban locals. They go out to work in the villages, which bring in an appearance of 'Good Samaritan' like charity to their work in the rural areas.

Lack of Coordination

Coordination and cooperation involves mutual consent of the agencies. Although, coordination between voluntary agencies and state agencies is easy, coordination among the voluntary agencies themselves presents some problems. These problems are (a) There is overlapping of efforts in certain areas. (b) Because of the mushroom growth of voluntary agencies and the political patronage to some, it is often difficult to bring them on a common forum, (c) Each voluntary agency has its own sources of funds, it does not like to pool or share its resources with other agencies; and (d) There are mutual jealousies among the voluntary agencies which make coordination still more difficult.

Mutual Distrust Among Agencies

It has been found that except for the coordination between NGOs and the Ministry of Social Welfare, there is mutual distrust between these agencies and other ministries/departments, which makes joint planning and delivery of goods and services impossible. Health, Education, Rural Development Departments both at the Union and State levels. Regard these agencies as unwelcome intruders into their terrain. Whereas it is difficult to achieve proper coordination between non – governmental agencies and some governmental agencies, on the other hand, a number of governmental agencies interfere in the working of the non – governmental agencies. Voluntary agencies resent the governmental grants which are accompanied by controls and interference.

Hostility of Bureaucrats

The bureaucracy is generally hostile to the NGOs. It can be safely predicted that a truly voluntary sector is not likely to emerge and grow in India. The sector would consist of the so – called voluntary agencies which are simply agents of the local oligarchy and/ or the bureaucracy and remains another channel for the misappropriation of funds.

Paucity of Trained and Committed Workers

Shortage of trained and committed workers has been the paramount problem of all the countries. Low salaries, inadequate security, poor personnel practices and competing job opportunities in industry and business for the people with social work skills and low prestige are cited as the major causes for the shortage of trained and committed workers.

The pattern of administration of major NGOs shows that the Governing Board members have high social, economic and political status. This is often, so because the agency depends upon them for the financial support that they can give or get from the community and from government subsidies. Conspicuous by their absence are the representatives of the client systems who are the beneficiaries and consumers of the services. The interpretation of needs and problems is more often than not done by the staff, whose values and competence can, at times, be questioned especially when they are untrained or semi – trained. For the agency to serve its purpose, there is a need to bridge the social distance between the elite board members and the clients.

SELF – HELP GROUPS (SHGs)

SHGs are informal associations of people who choose to come together to find ways to improve their living conditions. They help to build social capital among the poor, especially women. Such groups work as a collective guarantee system for members who propose to borrow from organised sources. Consequently, Self – Help Groups have emerged as the most effective mechanism for delivery of micro – finance services to the poor. The range of financial services may include products such as deposits, loans, money transfer and insurance.

The most important functions of a Self – Help Groups (SHGs) are:

- To encourage and motivate its members to save.
- To persuade them to make a collective plan for generation of additional income.
- To act as a conduit for formal banking services to reach them.

Role and Impact of SHGs

Self – Help Groups (SHGs) play today a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings and credit, as well as in other activities (income generation, natural resources management, literacy, child care and nutrition etc.). The savings and credit focus in the SHGs is the most prominent element and offers a change to create some control over capital, though in very small amounts.

Almost all major donor agencies support SHGs in India in one way or other and many success stories are available, describing how membership in a SHGs changed the life a particular individual or group for the better. Many NGOs in India are promoting the SHGs mechanism and linking it to various other development interventions. Whereas there is ample evidence that the SHGs approach is a very effective, efficient and relevant tool for organising and empowering the poor, problems do arise with design, development and introduction of programmes to promote income generating activities that will generate sufficient, sustainable and regular income.

Development of SHGs in India

The development of SHGs in different decades is given below:

In 1950's

The first organised initiative in the direction was taken in Gujarat in 1954, when the Textile Labour Association of Ahmedabad formed its women's wing to organise the women belonging to households of mill workers in order to train them in primary skills like sewing, knitting embroidery, typesetting and stenography etc.

In 1970's

In 1972, it was given a more systematised structure when Self Employed Women's Association (SEWA) was formed as a trade union under the leadership of Ela Bhatt. She organised women workers such as hawkers, vendors, home based operator like weavers, papad makers, small producers like cattle – rearers, salt workers, cooks and vendors with the primary objective of: increasing their income and assets enhancing their food and nutritional standards; and increasing their organisational and leadership strength. The overall intention was to organise women for full employment.

In 1980's

In the 1980s, Myrada, a Karnataka based non – governmental organization, promoted several locally formed groups to enable the members to secure credit collectively and use it along with their own savings for activities, which could provide them economically gainful employment. Small group formations at the local level were initiated in Tamil Nadu and Kerala through the Tamil Nadu Women in Agriculture Programme (TANWA) 1986, Participatory Poverty Reduction programme of Kerala, (kudumbashree) 1995 and Tamil Nadu Women's Development Project (TNWDP) 1989. These initiatives gave a firm footing of SHG movement in these States.

Today, around 44% of the total bank - linked SHGs of the country are in 4 Southern State of

Andhra Pradesh, Tamil Nadu, Karnataka and Kerala.

The positive experience gained from the above programmes has led to emergence of a very strong consensus that the twin concepts:

- Small group organizations.
- Self – management are potent tools for economic and social empowerment of the rural poor.

Efforts have been made almost in all parts of the country to adopt this model as a necessary component of the poverty alleviation programmes.

The SHGs – Bank linkage programme was started as a Test Project in 1989 when NABARD, the Apex Rural Development Bank in the country, sanctioned Rs. 10 lakhs to Mysore Resettlement and Development Agency (MYRADA) as seed money assistance for forming credit management groups. Ministry of Rural Development also provided financial support to Professional Assistance to Development Action (PRADAN) to establish SHGs in some rural pockets of Rajasthan.

1990's and Onwards

On the basis of these experiences, a full – fledged project involving a partnership among SHGs, Banks and NGOs was launched by NABARD in 1992. NABARD's Corporate Mission was to make available micro – finance services to 20 million poor households.

In 1995, the Reserve Bank of India (RBI) streamlined the credit delivery procedure by issuing a set of guidelines to Commercial Banks. It enabled SHGs to open bank accounts. The scheme was further strengthened by a standing commitment given by NABARD to provide refinance and promotional support to banks for credit payment under the SHG – Bank Linkage Programme.

In the initial years, the progress in the programme was slow; around 33000 groups could be credit – linked during the period 1992 – 99. But, thereafter, the programme grew rapidly and the number of SHGs financed increased to more than 7 lakhs in 2010. Cumulatively, 33 million poor households in the country have been able to secure access to micro – finance from the formal banking system.

NABARD, in association with Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZ), conducted a study in 2005, on the comparative performance of SHG – Bank linkage programme vis – a – vis other modes of priority sector lending. It revealed that the 40 million families and 205 million people having been covered under this programme and the cumulative loan figure standing at around 18000 crores appear to be impressive.

Merits of SHGs

- They establish gender equality through economic empowerment of women as well as inculcating leadership skills among them.
- They promote social Justice by strengthening the voice of economically vulnerable section of society.
- They encourage smooth credit flow in remote rural areas.
- They promote poor households' access to formal banking system.
- Sometimes successful SHG acts as pressure – group to ensure proper functioning of Gram Panchayat.
- They do not only create thrift among members, but also encourages oneness among group members. The need for keeping the records, accounting indirectly promote the literacy among them and make them aware of the formal processes. At the same time it inculcate the optimal use of resources.
- Strong social integration and cohesion has possibility to lead to social movement against ill practices of society.
- Access to social security is a fundamental human right. While country is experiencing rapid Gross Domestic Product (GDP) growth rate, SHG play an important role in balanced growth by bridging the gap between rich and poor.

- SHG is becoming/promoted as a part of micro – finance intervention aimed at helping the poor to obtain every financial service like savings credit and insurance.
- The micro – finance facility offered to and by SHG has reduced the need to approach money lenders.
- The peer pressure ensures timely repayment and replaces the collateral for the bank loan NPA.
- As a form of enterprise SHG performs the role of collective banks and enterprise and ensure better access to loan with a lower rate of interest to start micro unit enterprises.
- By facilitating micro credit to rural women, it has improved their bargaining power in day – to – day decision making of household and in community.
- SHG has better local area understanding and can be developed at remote places.

Limitations SHGs

- Social mobilisation of people for SHG should not go against the primordial social loyalty. Selecting the members from Heterogeneous community in Indian society is difficult.
- Apathy of rural banks to provide funds to SHG keeping in view their failures to return bank – loan in time.
- Lack of knowledge and proper orientation among SHG members to take up suitable and profitable livelihood options.
- Lack of awareness among SHG – members regarding their own community resources, often leave them with limited option of income generation activities.
- Growing need for capacity building or orientation program for SHG – members to enable them to be do cost benefit analysis of financial investment.
- The product developed by SHG face certain limitations such as quality as provided by corporate counterparts scale of operation finance, skills and marketability.
- Prevention of small cottage industries developing into micro – enterprises because of lack of regular business and secured revenue.
- Though registration of SHG is not needed, but procedure for gradation has prevented them to participate in some of government activities bidding process.

Success Story of Kudumbashree

Kudumbashree is a female – oriented, community based, Poverty Reduction Project of the Government of Kerala, launched in May 1998. This mission aimed to eradicate absolute poverty in 10 years, through concerted community action under the leadership of local governments.

The primary objectives of the project are:

- Identification of poor families through risk indices based surveys, with the active participation of the poor and the community.
- Empower the poor women to improve the productivity and managerial capabilities of the community by organising them into community – based organizations.
- Encouraging thrift and investment through credit by developing a network of informal banks of the poor.
- Improving incomes of the poor through improved skills and investment for self – employment.
- Ensuring basic amenities like safe drinking water, sanitary latrines, improved shelters and healthy environment.
- Ensuring a minimum of 5 years of primary education for all children, belonging to risk families.
- Achievement the Kudumbashree project has made significant achievement in terms of its parameters. As a result, it has been recognised by various organizations. In 2012, the project won the award for best practices to improve the living environment, in 2007, it won the Prime Minister’s Award for excellence in public administration. The project has also been given the Indian Innovation Award for Social Innovations (2006).

Improvement for SHGs

- Integrated approach is required for meeting overall credit needs in terms of backward linkages with technology and forward linkages with processing and marketing organization. Simplification of process of providing loans to SHGs.
- There is need for establishment of separate SHG monitoring cell in every state with direct links with district and block level monitoring system.
- Creation of task force to review the existing capacity building programmes and creation of network of capacity building institutions.

SHG – Bank Linkage Programme

- The Self – Help Group – Bank Linkage Programme (SBLP), started as a pilot programme in 1992 has development with rapid progress over the years
- SHG – Bank Linkage programme was started on the basis of recommendation of SK Kalia Committee.

Under the SBLP the following three different models have emerged

- i. Model I : SHGs promoted, guided and financed by banks
 - ii. Model II : SHGs promoted NGOs/Government agencies and financed by banks
 - iii. Model III: SHGs promoted by NGOs and financed by banks using NGOs/formal agencies as financial intermediaries.
- Model II has emerged as the most popular model under the SBLP programme. Commercial banks, co – operative banks and the regional rural banks have been actively participating in the SBLP.
 - In 2009 – 10, 1.59 million new SHGs were credit – linked with banks and bank loan of Rs. 14,453 crore (including repeat loan) was disbursed to these SHGs. Further, at the end in March 2010, 6.95 million SHGs maintained savings accounts with banks.
 - On an average the amount of savings per SHG was 8,915 as compared to the amount of credit outstanding of 57,795 in 2009 – 10. While there was a continued increase in the amount of credit outstanding per SHG, there was a fluctuating trend in the amount of saving per SHG in the recent years.

म.प्र. गृहमंत्री

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